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Outlook for South Dakota Agriculture

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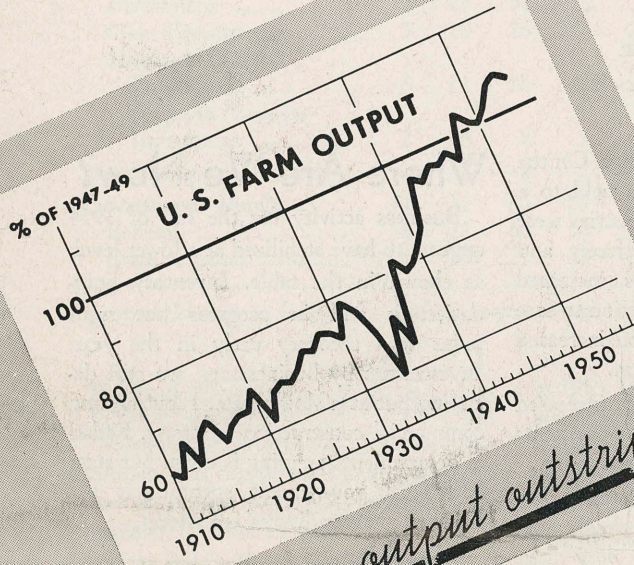
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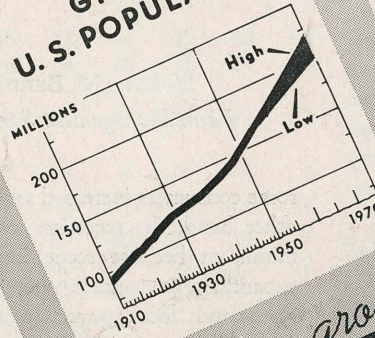


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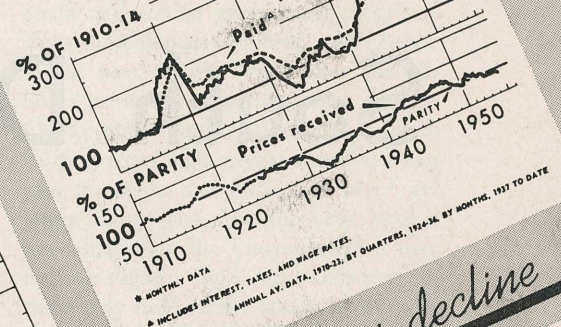
AGRICULTURAL EXTENSION SERVICE
SOUTH DAKOTA STATE COLLEGE
U. S. DEPARTMENT OF AGRICULTURE



With Projections to 1975
GROWTH OF U. S. POPULATION



FARMERS' PRICES
% OF 1910-14



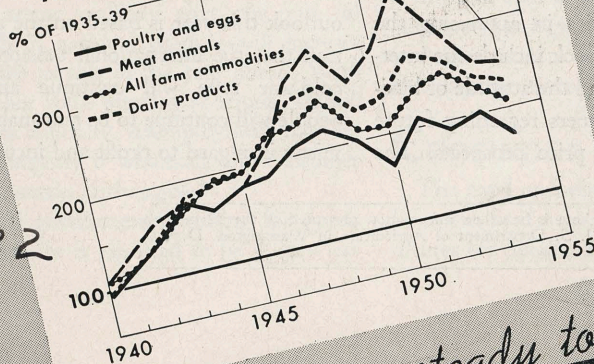
Farm output outstrips... Population growth... And prices decline

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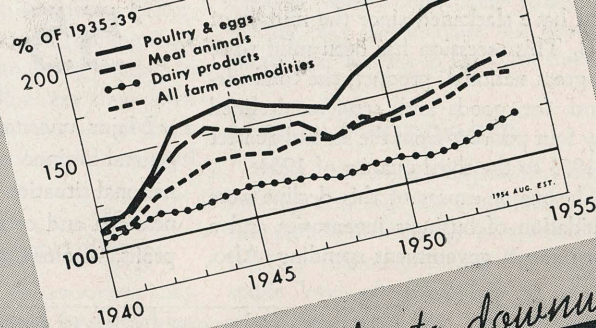
Outlook for South Dakota Agriculture

THIS BOOK DOES
NOT CIRCULATE

FARMERS' PRICES For Livestock Products
% OF 1935-39



OUTPUT of Livestock Products
% OF 1935-39



Production steady to up... Prices steady to downward

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OUTLOOK for South Dakota Agriculture

By LYLE M. BENDER
Farm Management Specialist

Business Activity Steady

General business prospects point toward greater stability in 1955. There is little reason to expect sharply expanding business activity; nor is a sharp decline likely. Some lines of business activity will strengthen and others weaken. Since our labor force is growing, unemployment will continue to be of concern.

The demand for farm products is likely to continue relatively steady. However, agricultural production, under average weather conditions, will continue near record levels. The expected high level of farm production along with large carryover of products will exert strong pressures on farm prices and incomes.

Prices received by farmers will continue to decline slightly. On the other hand, prices paid will hold steady. The parity ratio will hover around 85 per cent during the new year.

As a result in 1955, gross farm income will decline slightly, farm expenses will be down a little and net farm income down slightly to moderately.

What Happened in 1954?

General business activity and employment have slackened since the middle of 1953. This recession has been mild since the gross national product, the total demand for goods and services, declined only four per cent from the second quarter of 1953 to the third quarter of 1954.

The major causes of this decline were liquidation of business inventories and a sharp cut in government spending. Also,

some consumers increased savings. On the other hand, the recession was held to a minimum because some industries were expanding, consumers spent freely and state and local governments increased their spending. Government action to ease the credit situation brought on increased interest in housing construction.

Lower personal taxes and increased unemployment compensation payments helped to maintain consumer spending.

Most prices have held very steady during the past year. Both wholesale and consumer prices have made very little change. Prices received by farmers declined about four per cent during the year and prices paid by farmers increased about one per cent. The parity ratio declined from 91 per cent in August, 1953, to 88 per cent in September, 1954.

Industrial production during the year declined, then stabilized and is now turning upward. Inventories of industrial goods are nearly liquidated. Agricultural production is near an all-time record and carryovers of storable crops are large—some of them a record.

Where Are We Now?

Business activity for the fall of 1954 appears to have stabilized at a lower level, as shown in the table. Inventory liquidation is still in progress but signs point to a recovery early in the year. Investments by businessmen are still declining but at a slower rate. Housing and commercial construction is strong. Federal government spending is down but state and local government spending is up. Consumer expenditures are strong.

Most prices are steady at the wholesale and consumer level. Farm prices are still under pressure from large supplies, reduced exports or competition from substitutes. The domestic demand for farm products is still strong but appears to be leveling out.

Industrial production was pushed up from the low level reached during the year. Employment has also turned up but the labor force is still growing and unemployment is of much concern even though it has decreased. Personal income is slightly lower than a year ago.

'55 Business Prospects

Major uncertainties in appraising the general business outlook include the international situation and the attitude of businessmen and consumers regarding future profit, income and price prospects. The

outlook this year is based on the assumption that the international tension of the cold-war type will continue and that people will continue to be reasonably optimistic in regard to profit and income.

*This leaflet on the agricultural outlook for South Dakota is based on information presented at the 32 annual Agricultural Outlook Conference, sponsored by the U. S. Department of Agriculture in Washington, D. C., and local information.

Nation's Gross Product and Expenditure

	Billions of Dollars				Billions of Dollars					
	1940	1946	1953	1	2	1953	3	4	1	1954
										2
										3
Gross National Product	101	209	365	362	370	367	361	356	356	356
Consumer Expenditures	72	147	230	229	231	231	230	231	233	234
Durable Goods	8	16	30	30	30	30	28	28	29	29
Non-Durable Goods	38	85	119	119	120	119	119	119	120	121
Services	27	46	81	79	81	82	83	84	84	85
Private Domestic										
Investment	13	27	51	52	56	52	46	45	46	46
New Construction	5	10	26	25	26	26	26	26	27	28
Producer Durable										
Equipment	6	11	24	24	24	25	24	23	22	22
Changes in Business										
Inventories	2	6	2	3	5	2	-4	-4	-4	-4
Net Foreign Investment	2	5	-2	-2	-3	-2	-1	-1	-1	-1
Government Purchases	14	31	85	83	87	85	86	82	78	77
Federal	6	21	60	58	62	60	60	55	51	49
State & Local	8	10	25	25	24	25	26	27	27	27

Source: Economic Indicators. Figures rounded and may not total.

should hold nearly steady. Outlays for services may be up a bit.

Consumer spending is dependent upon level of employment, wage rates, savings, credit and certain government programs. Total employment may hold nearly steady in the year ahead. Wage rates and the hours worked per week may rise slightly. On the other hand, employment has been shifting from high paying manufacturing jobs to service and trade jobs which are lower paying jobs. Also the labor force is increasing annually. Unemployment may increase slightly. On balance consumer income may hold nearly steady at the current rate of 286 billion dollars which is down slightly from a year ago.

Past savings have been large and the rate of current savings is declining. Consumer credit is easily available. Payments for unemployment compensation and social security will also add to consumer purchasing power.

Total Business Activity

The combined demand of government, business and consumers should result in a flow of income to the consumers that will result in a level of business activity in 1955 at least as good as last year.

The total gross national product, which represents total demands for goods and services, is expected to be relatively stable around the current level of 356 billion dollars.

Employment may increase slightly along with some wage increases, which suggests that consumer income may be maintained at a high level. Past savings are large and consumers appear to be saving a little less. This indicates that consumer expenditures should be fairly well maintained.

In order to provide employment for a growing labor force, to allow for increased productivity and a stable level of prices it is necessary for the gross national product to increase around three to five per cent annually.

It seems unlikely that the rate of growth in national product will increase as much as this in the year ahead. With our labor force growing at about 700,000 persons annually, unemployment may increase slightly if wholesale and consumer prices remain fairly stable.

Total government spending for goods and services is expected to be a little less

in 1955. Defense spending will be reduced but at a slower rate. State and local government spending for schools, streets and highways will continue upwards.

Domestic Investment

The total demand from private investors is expected to be a little stronger in 1955. Most of the gain probably will come from the completion of the reduction in inventories and during the year inventories will be increasing. Near record outlays for new construction is expected for the new year. This will include new houses, and commercial construction associated with the housing boom in suburban areas. Lower interest rates and easier mortgage payments have nudged housing forward. However, the formation of new families is slowing down. An offsetting factor is the trend toward larger families and much home remodeling. Industrial construction including factories, and equipment has been slipping since last fall and will continue to decline in 1955. The rate of decline may slow down since new tax legislation such as carryback of losses and fast amortization may tend to encourage investments.

Consumer Spending

The total spending by consumers may be maintained near current levels. Expenditures for durable and non-durable goods

Foreign Demand

Total foreign trade has increased slightly over a year ago. Some improvement in certain kinds of exports is possible. Continual foreign aid programs, along with increased holdings of dollars in foreign countries should lend support to a little increase in commercial exports.

Production and Employment

Output of industrial goods and employment reflect the changes in demands for goods and services from governments, business and consumers. As a result of the declines in 1954, industrial production and employment declined. Recently both have shown some strength. An upturn in inventory demand and continued high level of housing and commercial construction in the year ahead should result in some further increases in industrial production. Employment may strengthen a bit but may not increase fast enough to absorb the increase in the labor force.

Price Prospects

With consumer disposable incomes holding at a high level and with production steady, little change is expected in the level of consumer prices. Since a fairly stable level of demand is in prospect, wholesale prices are not expected to change much in the coming year.

Agricultural Outlook

The demand for farm products is expected to continue near current levels for 1955. This demand depends on the level of consumer disposable income which is expected to continue steady. Population is increasing at a rate of two and one-half million persons yearly. Consumers have been spending about a fourth of their income for food and this rate is expected to continue.

Market supplies of livestock and livestock products will be larger than a year ago and crop production may be nearly as high. Stocks of storable products are larger, some of them a record.

Even with steady demand, price relationship for farmers will be less favorable. Prices received by farmers are expected to show a slight to moderate downward trend. On the other hand, prices paid by farmers are expected to continue at current levels. Under such conditions the parity ratio may decline further and average around 85 per cent of parity in the year ahead. Recent trends of farmer's prices are shown on the cover.

Under conditions of large supply, stable demand and slightly declining prices, cash receipts from marketings may

be down moderately in 1955. Gross farm income will be down a like amount. Farm production expenses may decline slightly. Net income then would be moderately lower in the year ahead.

South Dakota farmers will fare no better than U. S. farmers because of lower prices for some of their main products such as hogs, poultry, eggs and wheat. Farmers in South Dakota in addition to the price hazard face unstable production possibilities. Furthermore the wheat allot-

ment as well as support prices will be lower.

While farm returns are expected to show further declines in 1955 such conditions will permit reasonable returns for efficient sized, well managed farms. The supply situation for the various products will affect the relative profitability of the various enterprises. The coming year will be one in which the cost-price squeeze will continue. Under such conditions farm income will be greatly influenced by the efficiency of operations. Efforts should be directed to producing what is most demanded and to reducing costs without greatly increasing production.

Feed Grain Outlook

Feed supplies for the year ahead will be adequate. Carryover of feed grains will be substantial. With average weather feed production will again be large.

Prices of feed in the year ahead will be about the same as this past season.

The price of corn is likely to be well below the loan rate at harvest time but will rise to, and perhaps exceed, the loan rate next summer. Prices of barley and oats will be low in relation to corn.

Protein feed prices in the 1954-55 feeding season will average near the past season.

Soybean and flax prices may average near the loan rate. Normal seasonal variations may be expected.

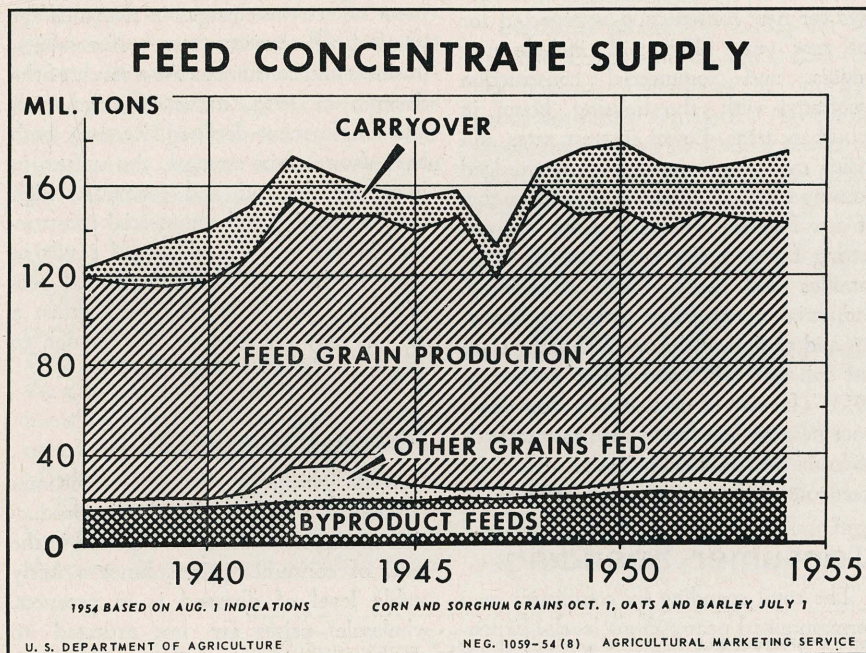
The price of wheat may rise to near support levels before the new harvest begins. The support level will be lower in 1955.

Feed Supplies

A near record supply of all feed grains and concentrates is in prospect for the 1954-55 feeding season. Supplies consist of carryover, production and imports. The table shows recent trends in supply, distribution and demand.

The carryover of all feed grains for the current feeding season will be 31 million tons. A high portion of this is under price support. Total production of all feed grains in 1954 is close to 120 million tons which is slightly less than the record production in 1950. Imports are small and will average less than last year. As a result, total feed grain supply will be about 152 million tons which is up from last year and slightly below the record supply in 1950. When the amount of wheat and rye and concentrates are added to feed grains the total supply is 178 million tons.

The total use of feed grains will be larger in the new feeding season. The



Feed Grains, Supply and Disappearance—U. S.

ITEM	Average 1947-51	1950	1951	1952	1953	1954
	Mil. tons	Mil. tons	Mil. tons	Mil. tons	Mil. tons	Mil. tons
Supply						
Carryover						
Under price support	10.3	20.9	14.9	9.0	16.7	22.0
Other stocks	12.0	9.7	13.8	11.2	10.3	9.0
Total	22.3	30.6	28.7	20.2	27.0	31.0
Production	117.0	122.0	112.9	119.7	117.2	119.6
Imports7	.8	1.3	1.7	2.2	1.3
Total supply	140.0	153.4	142.9	141.6	146.4	151.9
Distribution						
Livestock feed	99.5	104.5	105.6	97.4	99.2	104.5
Food, industry, & seed	12.7	14.1	12.5	12.0	12.5	12.5
Exports	4.3	6.1	4.6	5.2	3.7	4.9
Total	116.5	124.7	122.7	114.6	115.4	121.9
Carryover at end of year	23.5	28.7	20.2	27.0	31.0	30.0
Total Feed Supplies						
Total feed supply (mil. tons)	164.6	178.6	168.6	168.0	171.9	178.0
Grain consumption Animal Unit (mil.)	165.3	172.3	174.2	170.4	168.1	174.0
Supply per A. U. tons	1.0	1.04	.97	.99	1.02	1.02

number of grain consuming animal units on farms in the 1954-55 feeding season will be around 178 million. This will mean a supply per animal unit of 1.02 tons: equal to last year and near average. Food, industrial and seed use will remain about the same. Exports of feed grains will increase slightly. This rate of use will result in a slight decline in carryover for the 1955-56 season.

In South Dakota total grain supplies are a little larger than a year ago. There are also more grain consuming animal units. Supplies per animal unit are about the same as a year ago.

The outlook for feed supplies in the 1955-56 season is dependent upon shifts in acreage of various crops, and weather. Acreage allotments will be in effect for corn, wheat and cotton. A high level of compliance for wheat and cotton is likely. The corn allotment may be a little higher and compliance a little greater.

However, the corn acreage outside the commercial corn area may increase. Barley, oats and sorghums are likely to be planted on a large part of the diverted acres. The remainder of the diverted acres will go to soybeans, flax, grass or legumes and fallow. Under these conditions the combined acreage of feed grains will likely be as large or larger than in 1954.

With a normal growing season, which means average yields, the production of

feed grains will be large. Add large carryovers to production and the total supply prospects will nearly equal or exceed supplies for the 1954-55 feeding season.

Feed Prices

The general level of feed prices in the 1954-55 season is expected to average near that of the past feeding season. Corn may be a little higher late in the season. Oats and barley will be low in relation to corn. Protein concentrates may not change much from the past season. There is a possibility that the support levels for corn, other feed grains, soybeans and flax may be lower in 1955. The reason is to reduce the incentive to shift to crops that are in surplus position.

Corn

The corn supply will be slightly smaller in the 1954-55 feeding season. Production is down moderately. The carryover is a record of 900 million bushels. The demand for corn will be strong. Manufacturing uses will be steady, exports will be up and the amounts used for feed will rise. As a result the stocks at the end of the year may be reduced to about 725 million bushels. Prices of corn will average below the support level at harvest time and rise to—and likely above—the support level late in the year. Corn may be supported

at a slightly lower level and acreage allotments in the commercial corn area may be a little larger because of changes in the new farm act.

Oats

The oats supply is near a record. Production in 1954 was large and the carryover is of moderate size. Imports will be down. Little change is seen in export and food manufacturing uses. Somewhat more oats will be used for feed. The carryover at the end of the year will increase. Under these conditions prices during the new feeding season will be lower than a year ago and low in relation to corn.

Barley

The barley supply is up 40 per cent over a year ago. Production of barley increased 52 per cent in 1954 over 1953. The carryover was large. Imports are expected to be down, exports are likely to increase. The demand for alcohol and malt purposes may be up slightly. Much more barley will be fed. Nevertheless the carryover at the end of the year will be an all time record. Prices under these circumstances will be lower in the new year and low in relation to corn.

Grain Sorghums

The supply of grain sorghums will be up moderately. Food and export uses will increase a little. Feed uses will increase greatly but the carryover at the end of the year will be larger. Prices will be somewhat lower.

Soybeans

Soybean production in 1954 increased 26 per cent, largely as result of acreages shifted from corn, wheat and cotton which are under allotment. The acreage increased 20 per cent over 1953 in 1954. Stocks of old soybeans were small. The export demand is expected to be strong and the meal demand will be up a little. In 1954, soybeans were supported at the national average of \$2.22 per bushel. Prices during the 1954-55 year will decline slightly at harvest time and rise moderately as the season progresses. The seasonal rise may not be as much as the year before but will be influenced by prospects for large exports and strong feed demand. Production is likely to increase further in

1955 and this would force prices to the support level.

Soybean meal prices in 1954-55 will average a little below a year ago. Some increases in meal prices will take place later in the season as a result of expected increases in feed demand.

Cotton seed meal may average a little higher in the 1954-55 feeding season. Soybean meal prices may be a little lower in relation to cotton seed meal prices.

Flax

Production of flax seed in 1954 was nine per cent above 1953. On the other hand, the acreage in flax increased 26 per cent but yields were much below average. The increase resulted from a reduction of wheat under the allotment program. The crop is greatly in excess of domestic uses. Exports, largely from large stocks held by the government, will increase. Carryover at the end of the year may be reduced but would still be large. Flax is supported at

\$3.14 national average for 1954. Prices are expected to average near the support level. If production is larger in 1955, prices will be below the support level.

A slightly larger supply of linseed meal is in prospect for the 1954-55 feeding season. Linseed meal prices may decline a little below a year ago.

Hay

The 1954 hay crop for the U. S. and total supplies are about the same as last year. In the West North Central area the supply of hay in 1954 was six per cent above a year ago. Total roughage supplies in South Dakota are also up six per cent. Supplies will be adequate except in drouth areas. In South Dakota supplies per animal unit will equal those of a year ago. Hay prices in the fall of 1954 in South Dakota were averaging a little higher than a year ago. Strong demand from the drouth area will help maintain strong hay prices.

lamb.

The upward trend in meat production has been stimulated by the very strong demand for meat and generally abundant supplies of feed.

The demand for meat has been very stable for the past year and prospects for 1955 indicate no change. However, the demand for meat has leveled out since 1952.

Feed supplies are adequate to maintain a high level of production but the lower corn crop is slowing down the increase in hog production. Total roughage consuming livestock is at a high level, but not at peaks reached under most favorable weather conditions.

With demand for meat expected to continue strong price changes in prospects for 1955 appear small. They will vary by kinds of livestock and will be influenced more by the general feed and pasture available in the year ahead. Present indications point to lower hog prices, and steady to lower prices for beef cattle.

Prospects for Wheat

The total supply of wheat for the 1954-55 marketing year is estimated at 1,867 million bushels. Wheat production was 959 million bushels. Carryover stocks reached record levels and was nearly equal to production. Imports of feeding wheat may be near five million bushels.

The domestic use of wheat, which is very stable, may be around 660 million bushels. Exports will be a little higher than a year ago and may reach 250 million bushels. Under these conditions a record carryover of 957 million bushels is likely.

Prices during much of the year were higher than a year ago but under the loan rate of \$2.24 per bushel. For the marketing year prices may be close to the loan level.

Because of the burdensome carryover the 1955 wheat allotment was cut for 1955 and will be 55 million acres. Under average weather conditions a crop of 850 million bushels or better is possible. Domestic use and exports are not expected to increase so the reduced production would result in a slightly smaller carryover at the end of the 1955 marketing year. The support price for wheat in 1955 will be \$2.06 and prices are expected to average near the loan level.

The durum wheat acreage has been greatly reduced. Production is very short in relation to requirements. Strong prices for durum wheat are likely in 1955. Also prices will be relatively higher for high quality, high protein, hard spring wheat.

Cattle Prospects

The outlook for cattle next year is a question of the behavior of the cattle cycle. After expanding fast from the low in 1949 to a record in 1954 of 94.6 million head cattle numbers apparently will decline slightly in 1955. This trend is likely to continue into 1956.

The present cattle cycle has followed the same path as previous ones. Trends in slaughter show the usual increases: first in steer slaughter which has now tapered off; next in calf slaughter and then in slaughter of cows and heifers.

These typical trends at this stage of the cycle reflect increasing pressure on cattle producers to provide enough feed and to maintain income. As a result of these changes, fewer beef steers and heifers were on farms January 1, 1955. Inventories of cows are not expected to be any larger than last year, probably a little smaller.

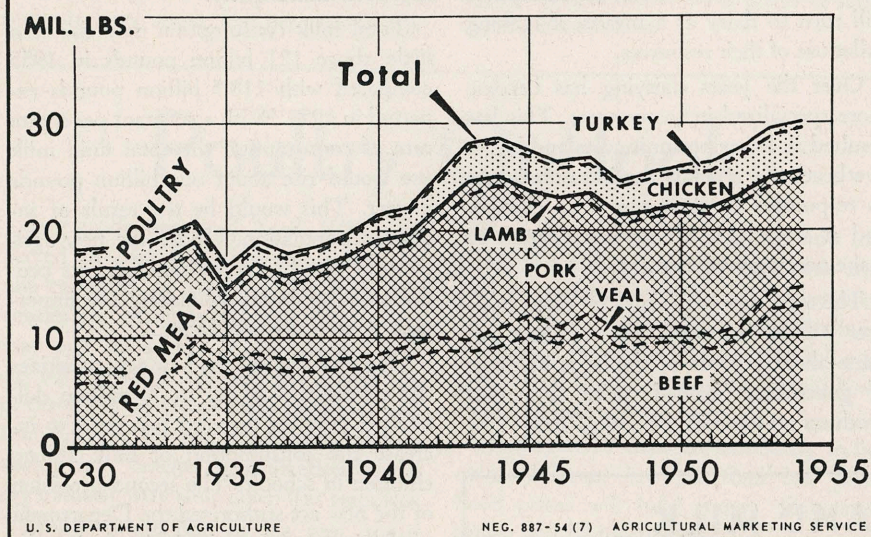
Even though the inventory of cattle in 1955 will be a little lower the capacity to produce remains large. The calf crop should be large since cows will still make up a large part of cattle inventories. However, the calf crop could be a little lower since it has been holding high. The trend toward earlier marketing of cattle as calves and yearlings will continue. Because of better breeding and feeding, young cattle weights have been increasing. Weather

Livestock Outlook

These are the years of large production of meat animals and meat. This year production of red meats will be about 25.5 billion pounds. It will be exceeded in 1955 and may reach 26.1 billion pounds. Add

poultry meat to the red meats and our total production in 1955 may reach 30.9 billion pounds. In terms of total meat production 1955 may consist of a little more beef and poultry, more hogs and less

RED MEAT AND POULTRY MEAT PRODUCTION



conditions will play an important part in cattle slaughter and prices. Very favorable weather would reduce slaughter and strengthen prices, while severe drought would increase slaughter and reduce prices.

The grazing capacity of the United States under good weather conditions seems large enough to accommodate present numbers of cattle. The reduction in horses has made room for more cattle and sheep. However, under average or drier conditions we may be short of grazing capacity. More pasture land is needed under average conditions to support the increase in cattle numbers that will take place after the present liquidation is completed.

Cattle expansion in the eastern and southeastern areas appears to have been halted. The Mexican border is to be reopened the first of the year but imports are not expected to be large.

About as many cattle will be fed in 1955 as last year. Movements into the feed lots began earlier this fall than a year ago. It is not yet certain whether the winter and spring movement into feed lots will be as large as last year. On the whole, the volume of feedings is likely to be large in relation to past years.

Profits from feeding in 1955 may be less than in '54 and better than two years ago. Feeders this year cost more. Feed prices may be a little higher. Fed cattle prices may be near the level of a year ago.

The price outlook for cattle in '55 is for not much change. Prices of the higher grades of fed beef may be maintained near the average for 1954. Prices of cows, and of stocker and feeder steers in the year ahead will probably decline moderately. The price spread between high grade and low grade slaughter steers will probably widen in the year ahead.

Hog Outlook

The outlook for hog production points to a slight increase next year. The rate of increase may be a bit slower than in the past. It is estimated that spring farrowing may increase two to five per cent.

The 1954 hog production, which was 12 per cent over 1953 production, resulted because of a very favorable hog-corn price ratio. The U. S. hog-corn ratio for September to December, 1954 is estimated 13.0. With a hog-corn ratio so near average we would not expect any marked

change in hog production. The fact that many corn producers did not comply with corn acreage allotments will result in an increase in hog numbers.

Hog slaughter in 1955 will be about seven per cent larger than this year. In the winter and spring hog slaughter will be 10-12 per cent larger than the same time last year. By the fall of 1955 the hog slaughter rate will be only a little above 1954.

Prices of hogs will be lower in '55 than in '54. If the production prospects hold near to the levels indicated, hog prices in the spring of '55 will average greatly below the highs of the spring of 1954. In the fall of '55 they may average slightly to moderately below the levels reached in the fall of 1954.

Sheep Prospects

The number of sheep and lambs on farms in U. S. January 1, 1955 may be down a little. This would be the third reduction in a row. However, lamb production has shown increases for four successive years indicating marked increases in efficiency.

The sheep and lamb slaughter in 1954 will be large enough to absorb the increase in the lamb crop and reduce inventories. Since inventory numbers will be down, lamb supplies will be a little smaller in the year ahead.

Lamb prices in the new year will remain close to the average level of the past two years. The smaller supplies of lambs will not have much up-lifting influence on prices of lamb. Prices of lambs are closely related to cattle prices so little improvement is expected in lamb prices until cattle are liquidated and cattle prices improve.

The increased support level for wool will tend to have a beneficial effect on sheep production. The support level for 1955 is 106 per cent of parity compared with 90 per cent of parity for 1954.

Dairy Outlook

Milk production in the U. S. in 1955 probably will about equal the record production of 124 billion pounds in prospect for 1954. Total domestic uses will probably increase enough in the year ahead to

reduce surplus below the last two years under current dairy price levels. Prices of dairy products are not expected to change much from the levels of the last nine months of 1954.

The large range problem appears to be centered around a declining demand with resistance to more resources out of dairy production. The use of new technology is bringing about a marked reduction in costs but the increasing production resulting from the use of improved practices is pulling prices down faster.

Production Steady

Milk production in the United States in 1955, with average weather conditions, will at least maintain the record level of production in 1954 of 124 billion pounds. In all probability cow numbers in the year ahead will be only a little below last year. Production per cow may be near last year's level.

that have resulted in lower per unit costs will tend to slow down the rate of change in dairy production. Many farmers, faced with lower income from other enterprises will turn to dairy as a means of making fuller use of their resources.

Over the years dairying has become more specialized in many areas. This has resulted in lower per unit costs and larger overhead. As a result the industry is not as responsive to short-run price changes and it may take two or more years to make necessary adjustments.

The total supply of dairy products however will be increased. The increase will come about because of the large holdings of government owned, price supported products on hand at the end of 1954. The

much less than declines in prices. The biggest gain in consumption was for butter. Cheese consumption increased a little and fluid milk slightly.

Total milk consumption may rise to a little above 121 billion pounds in 1955 compared with 118.5 billion pounds expected in 1954. With a constant per capita rate of consumption the total fluid milk use would rise about one billion pounds a year. This would be the result of increased population. Under the new agricultural act the use of milk and its products will be increased among two important parts of the population.

One provision of the new act authorizes the expenditure of up to 50 million dollars per year for the next two years to increase the consumption of milk among children in schools. The second provision of the new act authorized the Department of Agriculture to assist in increasing the consumption of milk and dairy products by members of the armed forces.

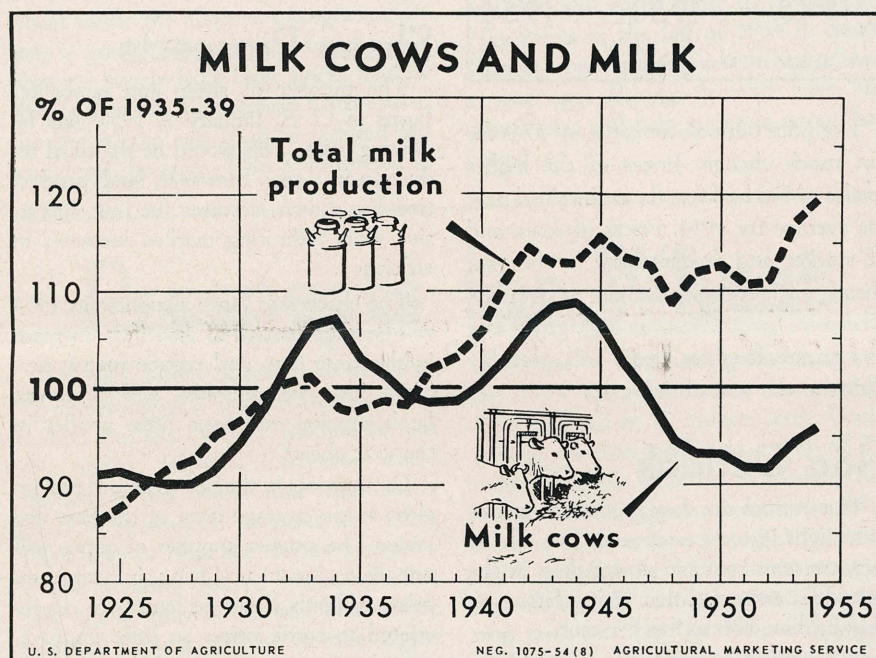
These two programs promise increased consumption of fluid milk around three-fourths of a billion pounds per year. The objective of these programs include: the hope that milk drinking among school children and members of the armed forces will become habit forming and result in a permanent increase in milk consumption. Also the program serves as a means of reducing the direct surpluses of dairy products. Other promotional schemes and price concessions will also tend to encourage more consumption per capita.

Since there is not expected to be any great change in total consumption of milk and with production holding at record levels there is likely to be a large surplus in the year ahead. However, surpluses are expected to be less than in 1954.

Prices Steady

Since there will be some surplus of dairy products in the year ahead prices for milk and butterfat may be at the support level much of the time. In general prices received by farmers for dairy products in 1955 will be about the same as the last months of 1954.

Supports for the new year will be announced in April of 1955. If prices paid by farmers continue to remain stable at that time and the support level is still 75 per cent of parity there would be no change in the support price which is 56



Many factors will have an influence on dairy production in the year ahead. Feed prices will be about the same as a year ago. But roughages are abundant and new technology is helping to reduce the cost of hay and pasture production. Lower dairy prices in relation to feed prices will tend to hold down the rate of production per cow and the number of cows. The larger supply of roughages coming as a part of the acreage control program will tend to encourage dairying.

Lower prices for other enterprises such as poultry, beef, cash crops and expected lower prices for hogs will act to prevent great shifts in production. The many technological advances in dairy production

total supply of milk and dairy products in 1955 will be equal to 139 billion pounds of whole milk compared with the expected 135 billion pounds for 1954.

Demand and Population

Little change in the consumption of dairy products is likely in the year ahead. Since there will be little change in consumer's income, the demand by consumers through commercial channels for dairy products probably will be at least as large in 1955 as in 1954. The lower retail prices in 1954, reflecting a decline in support levels, encouraged increases in consumption of some dairy products. However, the increases in quantities consumed were

cents per pound of butterfat. In case of manufacturing milking a new formula for computing the support level is to go into effect in April, 1955. This reduces the support level about five per cent if sup-

ports are at 75 per cent of parity. In 1954 manufacturing milk was supported at \$3.15 per cwt. The lower support level would tend to reflect lower prices in some fluid milk markets.

Poultry Outlook

Egg production until April, 1955 is expected to continue large and prices are not expected to improve. By June and continuing through the fall, egg prices may pick up a little if egg production is cut back enough. Usually low spring egg prices result in fewer chickens raised and fewer pullets for egg production the following fall. Greater specialization in the egg industry may slow down this response.

Broiler production in the year ahead may again be large and prices no better. Turkey prices may be no better than 1954 since turkey production may be just as large.

Poultry product-feed ratios are expected to be very low.

will continue large. There are now on hand about five per cent more hens and pullets on farms and the rate of lay may also continue large. Egg production may slack off a bit in the summer. By fall egg production should be down a little if fewer replacements are raised.

Poultrymen's costs are not likely to be much different in 1955 than last year. Feed prices will hold steady. Oats and barley will be lower in price in relation to corn but can only be partially substituted for corn. Soybean meal will be lower in comparison to other protein feeds. Prices of chicks and pullets may be down a bit.

The number of chickens raised for replacements in 1955 holds the clue to egg

any marked improvement in prices of eggs could be expected.

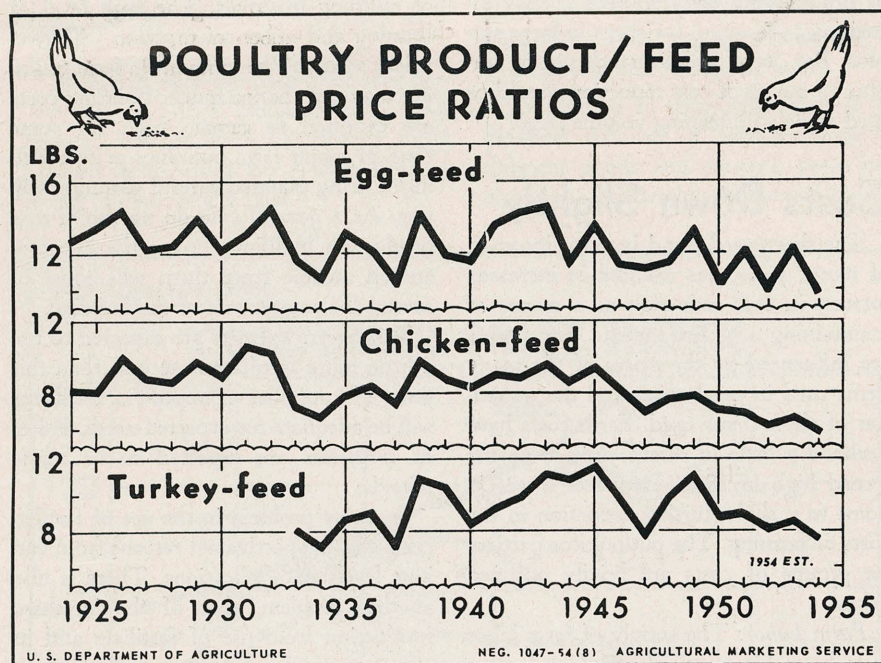
Both the egg-feed and chicken-feed ratios are well below average. These relationships usually discourage both egg and chicken production in following year. However, in recent years, even though the number of chicks raised has been lower, a higher percentage have been sexed chicks. This trend would tend to offset the reduction in layers even though chickens raised do decline.

There are other factors that will tend to offset the decline in egg production. The egg production enterprise in many important poultry sections and even in the Midwest has become highly specialized. The specialization has resulted in the use of many new techniques which have greatly reduced the costs of producing a dozen of eggs. At the same time it has increased the capital investment or overhead expenses whether or not the poultry enterprise is operated at full capacity. Specialization also limits the opportunities of farmers to shift quickly among enterprises.

Under these conditions it may take longer than a year for a sufficient reduction in egg production to affect prices. Farmers who have specialized usually can cover cash costs the first year of poor prices but eventually must cover all costs or give up the poultry enterprise.

Poultry farmers are advised against any restriction in the amount of feed allowed layers, so the only way to tighten up production of eggs is to cull heavily or to get out of the commercial egg business.

For the long run, farmers who are planning to build semi or commercial type laying houses should plan the houses and lots so that they can be used for other enterprises like sheep or hogs. On many farms small poultry flocks may still be profitable under good management and marketing practices. The successful poultryman will be the one who can cut costs per unit faster than prices decline. Their guiding rule is to add a new practice whenever the returns from it equals or exceeds the cost of adding the new practice.



Egg Production Prospects

Egg production in 1954 may be six per cent above 1953. Prospects for 1955 point to another year of large production. Egg production for the next six months—November, 1954 through April, 1955—

supply and prices for the new year. Year to year changes in culling rates have been only a minor factor in the downward adjustment in number of layers to current economic conditions. Chicken replacements for the new year would have to be reduced 10 to 12 per cent before

Demand Steady

Consumer demand for eggs next year is not likely to be much different than the past year. Consumption of eggs per capita may reach a record of 412 in 1954. In-

creases in population, employment and disposable income are not coming fast enough to match increases in production.

Under conditions of large supplies of eggs and a high level of consumption, demand seems to be inelastic—that is, great changes in price may occur in response to small changes in supply. In 1954 egg production increased six per cent while prices received by U. S. farmers declined 18 per cent. Prices received by South Dakota farmers declined more than this because they are farther from high priced fresh egg markets and more of their products must be sold in lower priced manufacturing markets like frozen and dried eggs.

The storage demand will also likely be less than a year ago because profits from storage in the 1954 season were unfavorable. In some areas on both coasts the seasonal egg production has been leveled out so as to almost reduce the need for storing eggs.

Prices

Prices of eggs in 1955 will be influenced more by supply conditions than by demand conditions. Egg prices for the next six months or until about April, 1955 will continue at about the current low levels. By about June, prices may turn upward a little so that there may be a near normal seasonal rise. For egg prices to rise next fall above current levels production of chickens and hens and pullets will have to be cut back greatly.

Broiler Prospects

Broiler production for 1954 is expected to be eight per cent larger than 1953. Prospects for production in 1955 point to as large or larger production as in the past year. Broiler-feed ratios are below average and this should tend to reduce production. But, as with eggs, and even more so, the industry is highly specialized. Also, the financing plans in the industry are such as to discourage sharp cuts in output in response to short-term changes in prices. If there is no great decrease in production broiler prices in 1955 are not likely to change much from 1954.

Turkey Outlook

Turkey production in 1954 may be nine per cent above 1953. Prices during the closing months of 1954 were running under those of the previous years. The demand for turkeys is not expected to change greatly. Turkey is still pretty much a holiday meat although year around con-

sumption is slowly increasing. Turkey-feed ratios are below average, which should discourage production. But turkey production is likely to hold up for much the same reasons as given for eggs and broilers. Under these conditions price prospects are for no improvement unless production is cut below current levels.

Cost Prospects

Declining farm incomes place greater emphasis on cost control. A slight decline in production expenses is likely in 1955. Production items that may be slightly lower include wages, interest rates, seed, feeder and replacement livestock. About the same prices may be expected for motor fuel, buildings and fencing materials, feed and fertilizers. Farm machinery prices will be about the same but discounts may be had. Taxes and tires may be slightly higher.

In planning cost control emphasis should be on reducing costs without greatly increasing production for crops in large surplus. For crops and livestock not in surplus all means of cost reduction should be used while still keeping volume large.

Costs Down Slightly

The downward trend in farm incomes, of recent years, has resulted in increased interest in cost reduction as a means of maintaining net farm income. Farm costs are influenced by the prices of the many items used in production and the quantities of these items used. Farm costs have declined a little in recent years from the record high in 1952. Prospects for 1955 point to a slight further reduction in the costs of farming. The outlook for particular groups of costs are briefly outlined below.

Farm Labor: The supply of farm labor may be a bit more plentiful and wage rates slightly lower. Farm wages have over the years increased much faster than machinery, power and fuel. As a result machinery will continue to be used as a means of reducing costs.

Farm Power and Machinery: Prices of farm machinery and equipment are expected to hold to about current levels in

the year ahead. Retail prices have changed little but more discounts and better trade-in are possible. Production of farm machinery in 1954 is about a third below 1951 but prices are unchanged. With no improvement in farm income it appears that farmers will buy no more machinery in the new year than in 1954.

Prices of tires may increase slightly in the year ahead. Gas and oil prices are expected to hold steady.

Building Materials and Farm Supplies: No great change is expected in the price of building materials. The high level of housing and other construction will keep prices steady. The amount of farm building may not change much. Building costs are expected to remain high for some time. If major farm buildings or remodeling is being planned careful planning will pay. As a general rule do not build new production buildings unless the expected annual income from them will equal or exceed the annual cost of the building.

Fertilizers: Farmers are expected to use a little more fertilizer next year than this year. The supplies of important fertilizers will be adequate for expected needs. Prices of fertilizers are expected to be maintained.

A major problem in the use of fertilizers is the prospective net returns from various levels of applications. There is also another problem, that of the increased production from use of fertilizer and its effect on total production and prices of grains, hay and pastures. Increased use of fertilizers on grain crops under control programs will tend to increase yields and could result in further controls to reduce acreages. On the other hand, increased use of fertilizers on some feed grains, hay and pastures could help to maintain fertility and reduce costs of all crop production in

future years.

The most profitable quantity of fertilizer to apply depends on the price of the fertilizer, the price of the crop fertilized as well as the fertility of the soil in question. A good rule to follow in using fertilizer is to use an additional amount of fertilizer if the additional income equals or exceeds the cost of the additional fertilizer.

Seeds: More grass seeds may be used as a result of acreage control programs. Total supply of most grass seeds are below those of a year ago. Seeds in short supply include clover and crested wheat grass. Smooth brome grass is very plentiful and other grasses and legume seed will be adequate. Prices of most grass seeds may be a little lower next year except those

in shortest supply.

Taxes and Interest: Taxes per acre of land may be slightly higher. On the other hand, interest rates may be a little lower.

Farm Real Estate: The value of farm real estate will continue to decline. In South Dakota land values are down four per cent from a year ago and some further decline is likely.

Family Living Costs

by
ANNA D. WALKER
Clothing Specialist

This is the third year in which the average overall cost of goods and services consumers buy has been little different from what it was the year before.

Prices paid by farmers for commodities used in family living are now one per cent above September of last year. The consumer price index which measures living costs for city families is the same as it was a year ago.

Although over the past three-year period, reports have indicated very little change, actually there has been a slight upward trend which has averaged out at about one per cent a year.

For families whose incomes have been about the same over this period, this slight increase of one per cent a year in living costs has caused very little difficulty. However, those whose incomes have declined have experienced more trouble.

Since the prices of many consumer goods have actually been moving downward, the result has been a balancing off of increasing and decreasing prices.

In addition to these differences in the direction and rate of change among the different goods and services, there have also been considerable differences in price

changes in different areas of the country. This is especially evident in housing, medical care, personal care, services and recreation.

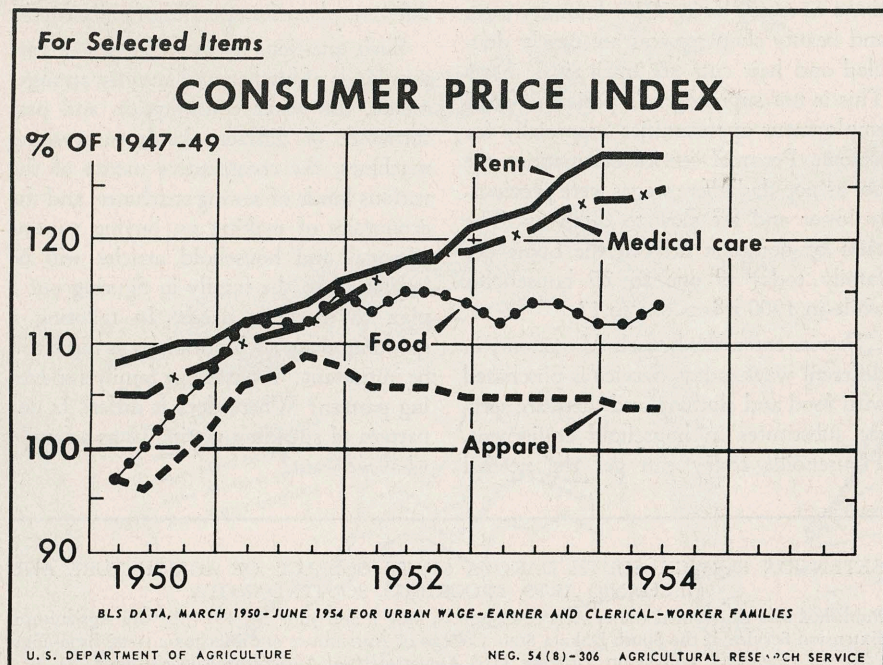
While the overall picture shows little change, families have different experiences, depending upon where they live and the individual family's estimate of the importance of certain goods and services in their living.

Looking Ahead

A look ahead seems to indicate some of the same general stability as in 1954. Food prices are likely to average about the same or a little lower, but service costs probably will continue up. Prices of clothing and household textiles may be a little higher. However, even if the overall average may show little change, there are likely to be slight changes up and down in the various items.

Food Costs

Some evidence of lower food costs is seen in recent price decreases for coffee, pork and lard. The Agriculture Marketing Service reports ample supplies of most important foods. However, since marketing costs are not expected to decrease, retail food prices next year are expected to average close to last year. Families will continue to spend about 25 per cent of their disposable income for food. Their disposable income and their food expenditures should be at least as much in 1955 as in 1954.



Clothing Prices

Although retail prices of clothing have been decreasing, the costs of manufacturing have not decreased. Prices of some unfinished materials have recently increased. There is an indication that prices of some work clothing will show an increase in the next few months.

Inventories of clothing and materials used in clothing, especially at the manufacturing level, are low enough that stocks on hand would not seem to call for a continuation of the slow downward drift in clothing prices seen in the last year. If there is much change in retail clothing prices, it would seem that it will not be until next spring.

Families seem to be putting a lower value on clothing than formerly, perhaps due to a change in the mode of living which calls for less expensive clothing or to the fact that technological improvements have made clothing wear longer. Another factor in this change from 14 per cent to eight per cent of the family's budget going for clothing is that the greater concentration of the population is in the youngest and oldest age groups at the present time.

Furnishings and Equipment

Household textile prices are expected to increase slightly in the year ahead. Consumer spending for furniture and household equipment held up well in the first half of 1954, and inventories of these durable goods were reduced. This situation does not indicate any decrease in prices. Some firms offering discounts but less service have sold in large volume in some of the large cities in the United States. So far this kind of selling has not had much effect in South Dakota. However, as the practice of selling at a price below a fixed retail price becomes wide spread, lower prices for all consumers are likely. The most important point for consumers to keep in mind is the need to consider price in terms of total purchase arrangements.

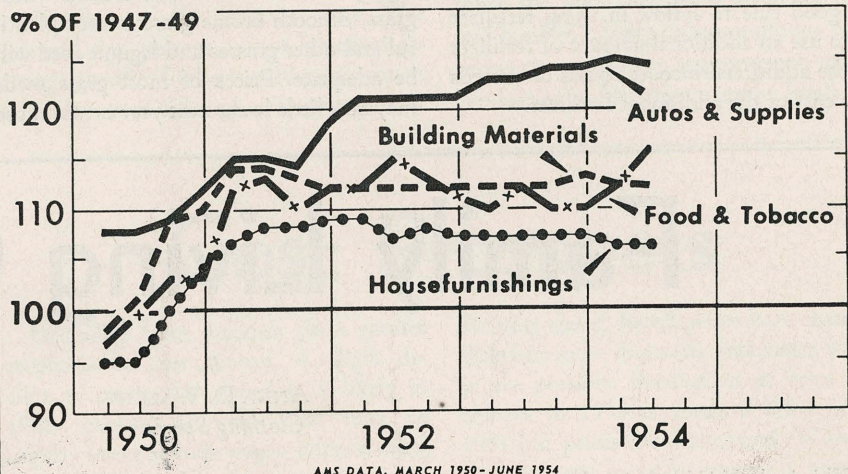
House Construction

Construction has held at high levels and it seems likely to continue high enough that building materials would change little in price. The production of lumber and other building materials will continue at high levels.

For Selected Items

PRICES PAID BY FARMERS

For Family Living



U. S. DEPARTMENT OF AGRICULTURE

NEG. 54 (8)-303 AGRICULTURAL RESEARCH SERVICE

Service Costs

The general increase in service costs over the past few years seems likely to continue. Such service items as medical care, household service and personal care involve a large element of personal services.

Looking back to 1938, some of these services have shown large price increases. Domestic service, for example, costs more than three times as much as it did then. Rates for hospital service are also three times as much as in 1938. Laundry rates and beauty shop services are nearly doubled and hair cuts are up a little more. This is not surprising in a period of good employment opportunities—especially for women. Personal service occupations are not as popular where wages were previously lower and are slow to catch up. The ratio of domestic help in the home per family today is one to 25 households while in 1900 it was one to 13.

Service enters the household economy in different ways today. Service is purchased with food and clothing and there are service substitutes in household equipment. Households today can get the needed

domestic service more cheaply by buying it this way than on a personal-service basis.

Planning Needed

With the prospect of little or no change in average living costs in 1955, the South Dakota family will find the information about the outlook for prices and supplies of consumer goods interesting, but of less importance than a consideration of the relative costs and value of the family of different plans for spending family funds.

Such questions as the efficiency of various kinds of kitchen and laundry arrangements, the water consumption and performance of different kinds of washing machines, the comparative merits of the various kinds of sewing machines, and the economics of making vs. buying various personal and household articles will be important to the family in figuring out a plan to meet its needs. In tailoring a spending plan, such questions as these will be important: What is our family's spending pattern? Where does it differ? Is our pattern of spending getting us as a family what we want?

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